



STERLING TOOLS LIMITED

Annual Report 2010-2011



designed

high quality



eco-friendly



quality service



meticulous

perfection

superior



innovative



excellence

finest technology



Registered Office

A-40, Mohan Co-operative
Industrial Estate, Mathura Road
New Delhi - 110044 (India)
Tel: +91-11-26990093

Corporate Office :

Plot No. 4, DLF Industrial Estate
Faridabad - 121 003 (Haryana)
Tel. : 0129-2270621-25
Fax : 0129-2277359

Works :

5-A, DLF Industrial Estate
Faridabad - 121 003 (Haryana)

48 K.M. Stone Delhi Mathura Road,
Village-Prithla, Tehsil-Palwal
Distt.-Palwal (Haryana)

81, Sector 25, Ballabhgarh
Faridabad (Haryana)

Bankers

Oriental Bank of Commerce
HDFC Bank Limited.

Board of Directors

Shri M.L. Aggarwal
Chairman

Shri Anil Aggarwal
Managing Director

Shri Atul Aggarwal
Whole Time Director

Dr. T.N. Kapoor
Director

Shri K.R. Gupta
Director

Shri C.R. Sharma
Director

Compliance Officer

Ms. Vaishali Singh
Company Secretary

Auditors**Statutory Auditor**

S.R. Dinodia & Co.
Chartered Accountants
K-39, Connaught Place
New Delhi - 110 001

Internal Auditor

JRA & Associates
Chartered Accountants
B-15 (LGF), G.K. Enclave - II
New Delhi - 110048 (India)

Registrar & Transfer Agent

MAS Services Limited
T-34, 2nd Floor,
Okhla Industrial Area,
Phase-II, New Delhi-110020

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Notice for the Annual General Meeting

Notice is hereby given that Thirty Second Annual General Meeting of the Members of **Sterling Tools Limited** will be held at **Lakshmipat Singhania Auditorium**, PHD Chamber of Commerce and Industry, PHD House, 4/2, Siri Institutional Area, August Kranti Marg, New Delhi-110016 on Wednesday, 6th July, 2011 at 9:30 A.M. to transact the following business(s):

Ordinary Business

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2011 and the Profit and Loss Account for the financial year ended on that date together with the Directors' Report and Auditors' Report thereon.
2. To declare Dividend for the Financial Year 2010-2011.
3. To appoint a Director in place of Dr. T. N. Kapoor, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company, and to fix their remuneration. M/s S. R. Dinodia & Co, Chartered Accountants, the retiring Auditors of the Company, being eligible, offer themselves for reappointment.

Special Business

5. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:

POWER TO BORROW MONEY

Resolved that pursuant to the provisions of Section 293 (1) (d) and other applicable provisions, if any, of the Companies Act, 1956, provisions of the Articles of Association of the Company and in suppression of the resolution passed in the Annual General Meeting held on 11th Day of September, 2007, the consent of the members of the Company be and is hereby accorded to the Board of Directors of the Company to borrow for and on behalf of the company, from time to time, any sum or sums of money from any one or more of the Company's bankers and/or from any one or more individuals/firms/bodies corporate/financial institutions on such terms & conditions as the Board of Directors may deem fit, notwithstanding the fact that the moneys to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business such as loans repayable on demand or within 6 months from the date of the loan, cash credit arrangements, the discounting of bills and the issue of other short term loans of a seasonal character, but not including loans raised for the purpose of financing expenditure of a capital nature) will or may exceed the aggregate of the paid-up share capital of the company and its free reserves (that is to say reserves not set apart for any specific purpose) but such borrowings will not exceed Rs. 150 Crores (Rupees One Hundred Fifty Crores Only) at any point of time.

For Sterling Tools Limited

Date: 17th May, 2011

Place: Faridabad

Registered Office:

A-40, Mohan Co-operative Industrial Estate
Mathura Road, New Delhi-110044

(Vaishali Singh)
Company Secretary

Notes

1. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXIES TO BE EFFECTIVE SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
2. In terms of Article 89 of the Articles of Association of the Company, read with Section 256 of the Companies Act, 1956, Dr. T.N. Kapoor, Director, retire by rotation at the ensuing Annual General Meeting and being eligible, offer himself for re-appointment. The Board of Directors of the Company commends his respective re-appointment. The relevant details as required by Clause 49 of the Listing Agreements entered into with the Stock Exchanges of person seeking re-appointment as director under Item No. 3 are annexed herewith.
3. An explanatory statement pursuant to Section 173(2) of Companies Act, 1956, relating to the Special Business to be transacted at the Meeting is annexed herewith.
4. Members who hold shares in dematerialized form are requested to bring their DP ID and Client ID numbers for easy identification of attendance at the meeting.
5. Relevant documents referred to in the accompanying Notice are open for inspection by the members at the Registered Office of the Company on all working days between 10 A.M. to 2 P.M. and upto the date of the Meeting.
6. The Register of Members and Share Transfer Books of the Company will be closed from Friday, 1st July, 2011 to Wednesday, 6th July, 2011 (both days inclusive) in connection with the ensuing Annual General Meeting and for purpose of determining the entitlement of dividend, if any, declared by the Company.
7. The final dividend as recommended by the Board of Directors, if declared at the Annual General Meeting, will be paid at par after 6th July, 2011 to (i) those shareholders whose names appear on the Company's Register of Members after giving effect to all valid share transfers in physical form lodged with the company on or before 30th June, 2011 (ii) in respect of shares held in electronic form to those beneficiaries whose names appear in the statements of beneficial ownership by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) as at the end of business hours on 30th June, 2011.
8. For the convenience of the Members, attendance slip is enclosed elsewhere in the Annual Report. Members/Proxy Holders/Authorized Representatives are requested to fill in and affix their signatures at the space provided therein and surrender the same at the venue of the AGM. Proxy/Authorized Representatives of a member should state on the attendance slip as 'Proxy or Authorized Representative' as the case may be.
9. The Directors' Report, Auditors' Report and Audited Balance Sheet as at 31st March 2011 and the Profit and Loss Account for the financial year ended on that date are enclosed.
10. The Company has designated an exclusive e-mail ID called vaishalis@stlfasteners.com for redressal of shareholders' / investors' complaints / grievances. In case you have any queries / complaints or grievances, then please write to us at the above e-mail address.
11. Members holding shares in electronic form may please note that the bank account details and 9 digit MICR code of their Bankers, as noted in the records of their depository, shall be used for the purpose of remittance

of dividend through Electronic Clearing Service (ECS), or for printing on dividend warrants wherever applicable. Members are therefore requested to update their bank account particulars, change of address and other details with their respective Depository Participants for shares held in demat mode and to the Registrar and Share Transfer Agent for shares held in physical form.

12. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to their Depository Participants with whom they are maintaining their Demat Accounts. Members holding shares in physical form can submit their PAN details to the Company.
13. Pursuant to the provisions of Section 205A (5) and 205 (c) of the Companies Act, 1956, followed by the issue of Investor Education & Protection Fund (Awareness and Protection of the Investors) Rules, any dividend transferred by the Company to the unpaid dividend account and remaining unclaimed for a period of seven years from the date of such transfer shall be transferred by the Company to a fund called the Investor Education and Protection Fund (the fund) set up by the Central Government.

Accordingly, unpaid / unclaimed dividend for the Financial Year 2003-2004 shall become transferable to the fund on 28th September, 2011, followed by the transfers of the amounts of unpaid / unclaimed dividends for the subsequent years. No claim shall lie thereafter against the fund or the company in respect of such amounts transferred. Shareholders are therefore requested to verify their records and send claims, if any, for the relevant years from 2003-2004 onwards, before the respective amounts become due for transfer to the fund. The following are the details of the dividends declared by the Company and respective due dates for claiming by the shareholders:

Dividend Year	Date of declaration of dividend	Last Date for claim
2003-2004	29/09/2004	28/09/2011
2004-2005	29/09/2005	28/09/2012
2005-2006	12/09/2006	11/09/2013
2006-2007	19/03/2007	18/03/2014
2007-2008	07/08/2008	06/08/2015
2008-2009	01/09/2009	31/08/2016
2009-2010 -Interim	18/02/2010	17/02/2017
2009-2010	30/08/2010	29/08/2017

Those members who have not so far claimed their dividend for the financial year 2003-2004, 2004-2005, 2005-2006, 2006-2007, 2007-2008, 2008-2009, 2009-2010 are requested to make their claims to the Company for obtaining duplicate dividend warrants.

14. In terms of Section 109A of the Companies Act, 1956, nomination facility is available to individual shareholders. Members holding shares in physical form may nominate a person in respect of all the shares held by them whether singly or jointly. Members who hold shares in individual name are advised to avail of the nomination facility by filing Form No. 2BV in their own interest. Blank form can be had from MAS Services Limited on request. Members holding shares in dematerialized form may contact their respective DP's for registration of nomination.

15. Members holding physical shares in multiple folios in identical name are requested to send their share certificates to Company's Registrar and Share Transfer Agent, M/s MAS Services Limited for consolidation.
16. The Copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copy to the meeting.
17. In case of any query, Members are requested to send the same to the Company Secretary atleast 10 days before the date of the meeting so that information can be made available at the meeting.
18. Members are requested to note that no **GIFT** will be distributed at the meeting.

**By order of the Board
For Sterling Tools Limited**

Date: 17th May, 2011

Place: Faridabad

(Vaishali Singh)

Company Secretary

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

The following Explanatory statement sets out all material facts relating to the Special Business as mentioned in the accompanying Notice:

Item No. 5

The Company in its Annual General Meeting held on 11th Day of September, 2007 approved the limits for the borrowings to be made by the Board of Directors of the company from time to time upto Rs. 100 Crores (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business). During last 3-4 years, the Company has made substantial borrowings from banks by way of term loans to meet its expansion program and for upgradation of the plant & machinery. Presently, the total money borrowed by the Company by way of Term Loans is Rs. 69.77 Crores from Oriental Bank of Commerce (apart from the Temporary Loans).

Keeping in view the proposed expansion program and consistent enhancement of producing capacity and technical upgradation of Plant & Machinery, it is required to enhance the borrowing powers of the Board.

Hence the above said resolution.

None of the directors are interested in the said Resolution

Pursuant to the requirements of Corporate Governance, a Brief Resume and other information in respect of the Directors seeking re-appointment at the Annual General Meeting is given below:

Dr. T. N. Kapoor

Dr. T. N. Kapoor aged about 79 years, a Doctorate in Commerce and also had professional training in Management both in India & abroad. He has held various responsible positions with the Punjab University, Chandigarh including as Founder Chairman, University Business School (formerly Department of Commerce and Business Management) during 1963-81, Dean, Faculty of Business Management & Commerce 1977-1991 & Vice Chancellor 1991-1997. He has also been Executive Director, Management Development Institute, Gurgaon during 1984-1986. He is/has also been involved with several professional associations / management institutes at Governing Board / Council level that include International Association of Universities, Paris, All India Management Association, New Delhi, LBSIM Delhi, IIM-Bangalore, IIM-Kolkatta, IIPA-New Delhi & IAMR-New Delhi.

Dr. T. N. Kapoor possesses a diverse and wide ranging experience and knowledge of corporate affairs having been associated as independent / non-executive/nominee director with several well known public limited companies for past over 33 years.

An eminent management advisor and educationist of over 54 years standing, Dr. Kapoor's subject areas of specialisation include Corporate Management Policy, Finance & Human Resources Management.

He is a member of the Audit Committee, Remuneration Committee & Investors Grievances Committee of the Company.

Details of other Directorships/Committee Memberships held by him

Directorship	Committee Membership
Omax Auto Limited	Audit Committee Shareholders'/Investors' Grievances Committee
Swaraj Engine Limited	Audit Committee Shareholders'/Investors' Grievances Committee
Modern Steel Limited	Audit Committee Shareholders'/Investors' Grievances Committee
KDDL Limited (Formerly Known as Kamla Dials & Devices Limited)	Audit Committee

**By order of the Board
For Sterling Tools Limited**

Date: 17th May, 2011

Place: Faridabad

Registered Office:

A-40, Mohan Co-operative Industrial Estate
Mathura Road, New Delhi-110044

**(Vaishali Singh)
Company Secretary**

Directors' Report

Dear Shareholders,

Your Directors are pleased to present the 32nd Annual Report on the business operations and financials of the Company for the Financial Year ended 31st March 2011.

Financial Results

The Company's performance for the Financial Year 2010-2011 vis-à-vis 2009-2010 is summarized as under:
(Rs. in Lacs)

Particulars	Financial Year	
	2010-2011	2009-2010
Net Sales Turnover	24793.51	17952.54
Profit before interest, depreciation and tax	3598.57	3027.58
Interest	589.83	534.38
Depreciation	642.66	629.07
Profit Before Tax (PBT)	2366.08	1864.13
Provision for Tax	793.09	705.25
Profit After Tax (PAT)	1572.99	1158.88
Appropriations:		
Proposed Dividend – Interim	0.00	136.89
– Final	342.23	205.34
Tax on Proposed Dividend – Interim	0.00	22.74
– Final	55.52	34.90
Transfer to General Reserve	160.00	120.00
Balance Carried to Balance Sheet	4611.18	3583.47

Review of Operations

The Company recorded the total Net Sales Turnover amounting to Rs. 24793.51 Lacs as compared to Rs. 17952.54 Lacs in previous year giving a growth of 38.11% approx. The profit after tax was higher by 35.73% at Rs.1572.99 Lacs as compared to Rs. 1158.88 Lacs in Previous year.

The Company is continuously focusing on its core area of supplying fasteners to Original Equipment Manufacturers (OEMs) all over India and efforts have also been made for increasing the Company's business share in Retail Market from Rs. 234.90 Lacs to Rs. 300.00 Lacs showing a growth rate of 27.71%. Similarly the Company has also focused on its Export Sales which was Rs.1268.83 Lacs (FOB value) for the financial year 2010-2011 as against Rs. 572.60 Lacs (FOB value) showing a growth of 121.59%.

The Company has adequate production facilities with sole objective of providing quality products at reasonable prices as well as satisfying the interests of all stake holders in the Company.

The Company has projected a growth of 25% in the Total Sales Turnover for the financial year 2011-2012.

Dividend

Keeping in view the Company's performance, the Directors are pleased to recommend a dividend of 50% for the financial year ended 31st March, 2011 (Rs. 5/- per equity share) on the paid up equity share capital as compared to 50%(30% interim dividend + 20% Final dividend) for the financial year ended 31st March 2010 (Rs. 5/- per Equity Share (Rs. 3/- Interim dividend + Rs. 2/- Final Dividend per equity share).

Transfer to General Reserve

Your Company has transferred Rs. 160 Lacs to General Reserves during the financial year 2010-11 as compared to Rs. 120 Lacs in previous financial year.

Deposits

The Company has not accepted any deposits, which come under the purview of Section 58A of the Companies Act, 1956.

Listing

The equity shares of the Company are listed with Bombay Stock Exchange Limited and National Stock Exchange of India Limited. There are no arrears on account of payment of listing fees to the said Stock Exchanges.

Joint Venture

During the financial year under review, Your Company has invested Rs. 1,75,00,000/- in Equity Share Capital of the Company of Sterling Fabory India Private Limited, a Joint venture Company engaged in the business of wholesale distribution, supply chain and vendor management of non-automotive and automotive fasteners and standard and non-standard(customer specific) non automotive electronic and other components.

During the financial year under review, the Joint Venture Company has started its operations in April 2010 by establishing its main Trading Setup at 12/2, Delhi Mathura Road, Faridabad with Branch office/ Warehouse at Pune. The Joint Venture Company made a Sales of Rs. 57 Lacs which is expected to be Rs. 675 Lacs for the Financial Year 2011-2012. The Company plans to set up branch offices / warehouses at Bangalore and Chennai.

Particulars of Employees

As required by Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, a statement on information relating to employees has been given by way of Annexure-I to this Report.

Conservation of energy, technology absorption and foreign exchange earnings and outgo

Information pursuant to the provisions of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, relating to conservation of energy, technology absorption & foreign exchange earnings and outgo are given by way of Annexure-II to this Report.

Corporate Governance

Your Company stand committed to good Corporate Governance-accountability, transparency, disclosures and independent supervision to increase the value of stakeholders. The Company is committed to transparency in all its dealings with shareholders, employees, the creditors, the Government and other parties and places high emphasis on business ethics.

Your Company's basic philosophy of Corporate Governance in the Company is to achieve business excellence and increasing long-term shareholder value, keeping in view the interest of the company's stakeholders.

Your Company is in compliance with the requirements of the guidelines on Corporate Governance stipulated under clause 49 of listing agreement existing as of 31st March 2011.

A report on Corporate Governance pursuant to the provisions of Clause 49 of Listing Agreement supported by a Certificate given by the Statutory Auditors of the Company confirming compliance of conditions, form part of this Annual Report as ANNEXURE-III.

Your Company has made all the information, required by Investors, available on the Company's Corporate Website www.stlfasteners.com.

Management Discussion & Analysis

Management Discussion and Analysis Report covering issues relating to Industry structure, Opportunities, Challenges, Outlook and Performance etc. has been given separately and form part of this Annual Report as ANNEXURE-IV.

Director's Responsibility Statement

Pursuant to the requirement under section 217(2AA) of the Companies (Amendment) Act, 2000, with respect to Director's Responsibility Statement, it is hereby confirmed that:

- (i) in the preparation of the accounts for the Financial Year ended 31st March, 2011, the applicable accounting standards have been followed and there are no material departures;
- (ii) the Directors have selected accounting policies in consultation with Statutory Auditors and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the financial year under review;
- (iii) the directors have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956. The directors have confirmed that there are adequate control & systems for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the Directors have prepared the accounts for the Financial Year ended 31st March, 2011 on a 'going concern' basis.

Human Resources Development

Your Company strongly believes that its ability to maintain and continue its growth depends largely on its strength of attracting, developing, motivating and retaining the talent. Therefore, it is the endeavour of your Company to nurture and develop this wealth

a) Industrial Relations

During the financial year under review, harmonious industrial relations were maintained in your Company.

b) Trainings for development of Human Resources

During the financial year under review, Your Company had training target of 4 man days of training for every employee and we have achieved the target.

Your Company had prepared Skill/Competency Matrix for all employees. The training need identification was done through analysis of Skill/Competency Matrix.

Your Company conducted technical, soft skills and behavioral training. Some managers were sent to IIMs, etc. for Management Development Programmes. Outbound Training was conducted for team building. Two employees were sent for AOTS training in Japan.

Moreover Your Company had conducted Induction training for all new recruits.